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E.O. 12958: N/A

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SUBJECT: AUSTRIAN ELECTION: FAR RIGHT SEES STRONG GAINS; SPO PLACES FIRST

REF: VIENNA 1418

1. (SBU) Summary: Austria's ruling coalition parties -- the Social Democrats (SPO) and the conservative People's Party (OVP) -- suffered historic losses while still finishing first and second in the September 28 parliamentary election. The big winners were the far right, the populist Freedom Party (FPÖ) and the Alliance for the Future of Austria (BZÖ), which exceeded expectations and combined for nearly 30 percent of the total vote. The strong showing by the far right reflects public frustration with the fecklessness of the current government, as well as concerns about globalization, immigration, and the EU. SPO Chairman Werner Faymann now faces the difficult task of forming a government. Faymann has ruled out a coalition with the FPÖ or BZÖ; the OVP has done likewise, though somewhat less categorically. Faymann on election night repeated his preference for forming another SPO-OVP "grand coalition." Other possible options include a right-of-center OVP-FPÖ-BZÖ government or an SPO-led minority government, although a minority government would probably be short lived. The OVP is engaged in a leadership debate which may lead to the resignation of party Chairman Wilhelm Molterer. End Summary.

#### Results

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2. (U) Below are the results, excluding roughly 500,000 absentee/postal ballots still to be counted, with the 2006 figures in brackets and a breakdown of the number of seats to be awarded each party in the 183-member legislature:

SPO:	29.7% - 58 seats	(35.3% - 68 seats)
OVP:	25.6% - 50 seats	(34.3% - 66 seats)
FPÖ:	18.0% - 35 seats	(11.0% - 21 seats)
BZÖ:	11.0% - 21 seats	(4.1% - 7 seats)
Greens:	9.8% - 19 seats	(11.0% - 21 seats)

Because absentee ballots will not be completely counted and the final tally known until October 6, slight changes to seat distribution is possible.

#### Coalition Talks

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3. (SBU) Following Austrian political practice, President Fischer will give the mandate to form a government to Faymann as leader of the strongest party. This will initiate coalition negotiations that could potentially last for months. On election night, Faymann reiterated that he will not form a government with the FPÖ and/or BZÖ, which he criticized for their "polarizing" influence. OVP leader Molterer has also excluded a coalition with the FPÖ and BZÖ as long as they maintain their anti-EU course. Faymann said he preferred to form another coalition with the OVP, while emphasizing that he expects the OVP to select new leadership. The OVP Executive Board was scheduled to meet September 29 to discuss the election result; the board's deliberations could well lead to the replacement of Molterer as party chairman. Environment and Agriculture Minister Josef Proell, who is most often mentioned as the likely successor to Molterer, is known to prefer a grand coalition. SPO contacts tell us they believe they can work more productively with Proell than with Molterer.

4. (U) At the same time, pledges notwithstanding, each of the coalition parties could form a majority government by teaming up with the FPÖ and BZÖ. This would be particularly risky for the SPO, many of whose members would likely reject such an alliance; a right-of-center OVP-FPÖ-BZÖ coalition is considered more likely. There is also the possibility that the SPO could form a minority government, possibly including the Greens. But such a government would be weak and probably short lived. Moreover, on election night FPÖ leader Heinz-Christian Strache asserted that he would not offer legislative support to an SPO-led minority government.

#### Historic Setback for SPO-OVP

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5. (U) The election results were devastating for both the SPO and OVP, which have dominated Austrian politics since the end of the Second World War. Each of the parties garnered the lowest portion of the vote in its history. The two far right parties, meanwhile, combined for a higher vote total than the 26.9 percent won by the FPÖ in 1999. Significantly, exit polls indicate that among the primary motivations for voters choosing the FPÖ and BZÖ was dissatisfaction with the current grand coalition, which was frequently paralyzed by intra-party bickering during its 18-month tenure. The personal, charismatic appeal of BZÖ leader Jörg Haider and "bringing a new wind" to Austrian politics were other key reasons cited by voters leaving the polls. Political scientist Peter Filzmaier, in his analysis for ORF TV, maintained that the

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surge in FPÖ-BZÖ support reflected anger at the grand coalition parties, rather than a strong rightward shift in the Austrian public. (Note: Austria also lacks a left-wing protest party, excepting the thoroughly discredited communists.)

Comment: ÖVP May Hold Key

16. (SBU) Despite suffering the greatest decline in support among the parties since the last election, the ÖVP appears likely to play a determining role in the formation of the new government. If the ÖVP replaces Molterer and opts for a return to the grand coalition, the SPÖ will likely accept. If not, the ÖVP could form a government with the far right, as it did after the 1999 elections. Another option would be to go into opposition, as some party members advocated in election-night interviews. Assuming that the SPÖ would be unable or unwilling to link up with at least one of the far right parties, such a move would leave Faymann with no alternative to a feeble minority government.

17. (SBU) In our view, political scientist Filzmaier is right to say that voters chose the FPÖ and BZÖ primarily to express anger at the grand coalition. But that doesn't tell the whole story. Voters are not merely angry at the governing parties for failing to cooperate. Among the reasons cited for voting for the far right, many also claimed that the FPÖ/BZÖ "represents my interests." Many voters were angry at the grand coalition for failing to address their concerns about issues like rising food prices, globalization, the EU, and Muslim immigration. There is no doubt that these play a role in Austria, as elsewhere in Europe, in moving voters to the right. The grand coalition parties have rightfully accused the far right of exploiting, and exacerbating, these anxieties, but they have failed to effectively deal with the root causes.

18. (U) As the dust settles from yesterday's vote and coalition negotiations begin to take shape, Embassy will report further on the likely impact of the election on Austrian foreign policy and the implications for U.S. interests.